



FOOD & BEVERAGE INDUSTRY

REVIEW OF CORPORATE ACTIVITY

Mergers & Acquisitions Q1 2020

Welcome to the Comet Line quarterly newsletter, where we review corporate activity in the first quarter of 2020.

Corporate activity was significantly impacted by the outbreak of coronavirus and the containment measures implemented by the Australian and New Zealand governments. The impact on businesses in the food and beverage industry have varied based on the channels served.

Suppliers and distributors to the foodservice channel were significantly impacted after the closure of clubs, licensed premises in hotels and pubs, casinos and night clubs. Restaurants and cafes can offer takeaways and delivery only.

The impact on suppliers to the retail channel have varied based on the categories supplied. Some suppliers to retail have experienced a spike in demand during a period of increased consumer demand witnessed in late February / March. Anecdotally, we understand that shorter shelf life categories have traded flat or experienced a reduction in demand in retail compared to longer shelf life categories. The consumer demand dynamics are changing as consumers adjust to financial uncertainty.

Most of the transactions in the quarter were announced before the closure of foodservice outlets were announced. The first quarter of a calendar year is normally the lowest period of corporate activity. In the first quarter of 2020 only four transactions were announced. In comparison, eleven transactions were announced in the first quarter of 2019.

Comet Line is committed to working with business owners in the food and beverage industry to provide advice and assistance during this period of uncertainty. We are currently working with several business owners on strategies to trade through this period. Where appropriate we are assisting business owners to consider different sources of finance to stabilise the capital position of businesses impacted by the coronavirus pandemic.



Acquisitions announced

Date	Target Name	Acquirer	Sector
17 Dec 19	Freshmax domestic fresh producedivision	T&G Global	Fresh produce
23 Dec 19	Soulfresh (\$50m investment)	True	Healthy and Natural
3 Jan 20	Hudson Pacific Foodservice	Hudson Food Group	Foodservice distribution
30 Jan 20	Petuna Aquaculture (50%)	Sealord Group	Seafood
2 Mar 20	Dennington Milk Plant	ProviCo	Dairy
25 Mar 20	Jewel Fine Foods	Coles	Prepared meals

T&G Global (formerly Turners & Growers), one of the largest fresh produce companies in New Zealand, acquired the fresh produce division of Freshmax NZ for \$30 million. The acquisition will strengthen T&G Global's fresh produce business in New Zealand.

Soulfresh, a plant-based food and beverage business based in Melbourne, received a £26 million (A\$50 million) investment from True. True is a UK-based retail and consumer sector investment specialist with funds under management of £200m. In addition, Robert Soros, the son of George Soros committed additional capital to Soulfresh to take the total investment in the business to just over A\$50 million. The capital raised would be used to grow the international operations of Soulfresh.

Retail Food Group disposed of the Hudson Pacific Food Service and Associated Food Service businesses to Hudson Food Group. Retail Food Group recognised impairment losses of \$18.3 million (FY19) and \$7.2 million (1HFY20) on the Manufacturing and Distribution division sold to Hudson Food Group. Retail Food Group acquired the Hudson Pacific business in August 2016 for \$88 million settled through the issue of shares in Retail Food Group and a cash consideration.

New Zealand based Sealord Group acquired the remaining 50% shareholding in Petuna Aquaculture from the Rockliff family. Petuna Aquaculture was founded in the early 1990s and farms ocean trout and Tasmanian Atlantic salmon. Sealord acquired 50% of Petuna Aquaculture in 2010 and will become a wholly owned subsidiary of Sealord Group after the latest transaction.

Fonterra sold the Dennington Processing plant to ProviCo Australia. Fonterra closed the Dennington plant in May 2019 after a reduction in milk intake. ProviCo Australia is the largest supplier of calf milk replacers, manufacturing a range of feed and vitamin fortified products for animals. ProviCo will use the Dennington site to manufacture a range of animal nutrition foods.

Coles announced the acquisition of Jewel Fine Foods after receiving approval for the acquisition from the ACCC. Jewel Fine Foods was placed under voluntary administration in April 2019. In September 2019 B&J City Kitchen submitted an offer to acquire Jewel Fine Foods, but this offer was blocked by the ACCC. The ACCC believed that an acquisition of Jewel Fine Foods by B&J City Kitchen would substantially lessen competition for the supply of chilled ready meals. Coles is the largest customer of Jewel Fine Foods. The acquisition of Jewel Fine Foods is in line with Coles' strategy to improve its convenience offering.

Health food company Oliver's Real Food received a takeover offer priced at \$0.10 per share, valuing the equity of the company at \$27 million. Shortly after receipt of the takeover offer, Oliver's announced that it would suspend trading at all the company's locations. The store closures are in response to the COVID19 outbreak and restrictions on travel in Australia. The impact of the store closures on the takeover offer is unclear.

Listings on the ASX

There were no listings of food and beverages companies on the ASX during the first quarter of 2020.

Comet Line Consulting is a strategic advisory business that specialises in acquisitions and divestments within the Australian and New Zealand food & beverage industry. Deep industry knowledge and strong relationships with business owners, trade investors and financial investors are defining features of the Comet Line Consulting business.



David Baveystock has worked in the Australian food and beverage industry for over 25 years including senior roles with Nestle Australia and Manassen Foods. David is recognized as a leading executive in the food and beverage industry and consults to senior management and business executives.



Ben van der Westhuizen has 25 years corporate advisory experience and has advised on a variety of transactions with a collective value in excess of \$2 billion. Ben has advised on acquisitions, disposals and capital raisings in both Australia and South Africa. Ben has held senior corporate advisory roles with KPMG Corporate Finance, Challenger and PSG Group where he advised on several high-profile transactions.



Lindsay Cunningham has worked in the Australian and international food industry for over 35 years, with executive roles at Givaudan, Arnott's, Uni Chef and I&J Foods. After a corporate career, Lindsay has directly provided strategic consulting services to a range of clients including Allied Mills, Arnott's, Nestle, Fonterra, Goodman Fielder International, Lindt and the Sydney Fish Market.

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